

## Environmental and Social Review Summary (ESRS) Fernandes Guyana II – Guyana

**Original language of the document:** English  
**Issuance date:** September 2022

### 1. General Information of the Project and Overview of Scope of IDB Invest's Review

Fernandes Guyana Enterprise (the “FGE” or the “Company”) is part of Fernandes Group, one of Suriname’s largest economic groups and market leaders in most of the industries it operates. Fernandes Group is a family business founded in 1910 and currently owned and managed by the 4th generation of the Fernandes family. In December 2019, as part of the group’s strategy to expand and diversify its operations geographically, Fernandes group acquired a majority stockholding participation of a small bakery in Guyana through FGE due to its potential for growth in the local market. FGE’s main activity is the production and commercialization of baked goods and the distribution of imported products (Ice creams and bake-off) for the Guyanese market.

This would be IDB Invest's second transaction with FGE. The Company will use the financing for (i) capital expenditures required to complete their expansion project recently financed by IDB Invest (Fernandes Guyana I), (ii) working capital needs, and (iii) subject to a feasibility study to be supported by IDB Invest’s, a small solar photovoltaic system for self-consumption (the “Project”).

The Environmental and Social Due Diligence (“ESDD”) was conducted during August 2022 through a site visit and several virtual meetings with FGE Staff. In addition, environmental information was reviewed from different reports, policies, and procedures of FGE.

### 2. Environmental and Social Categorization and Rationale

The Project has been classified as a Category B operation in accordance with BID Invest’s Environmental and Social (“E&S”) Sustainability Policy, since it will likely generate among others, the following impacts and risks: (i) Risks to workers' health and safety; (ii) increased generation of Solid and liquid waste; (iii) increased consumption of energy and water; and (iv) fire risk. The intensity of these impacts is expected to be medium-low to low.

The Performance Standards (“PS”) triggered by the Project are: (i) PS1: Assessment and Management of Environmental and Social Risks and Impacts; (ii) PS2: Labor and Working Conditions; (iii) PS3: Resource Efficiency and Pollution Prevention; and (iv) PS4: Community Health, Safety, and Security.

### 3. Environmental and Social Context

The Project is situated at Land of Canaan, East Bank Demerara, in an industrial area approximately 27 km away from the capital city (Georgetown). This site is bordered to the left by a Supplier for the offshore oil industry, to the right by a government owned water treatment facility, and across a

building material manufacturer. Access to the project is gained through the main highway heading to the city, Georgetown. Crime levels in the Project area are relatively low.

The site has a certificate of Sanitary Fitness for operation granted by the Office of Senior Environmental Health Office; however, the company is in the process of updating same to reflect the new name and ownership structure. The construction permit for the expansion was approved by the Central Housing and Planning Authority in September 2019. The expansion of the facility is critical for FGE as it will allow them to increase the current bakery production capacity, gain economies of scale and cost savings with technological improvements to speed up processing time, standardize and improve quality of its products as well as develop new ones.

#### **4. Environmental Risks and Impacts and Proposed Mitigation and Compensation Measures**

##### **4.1 Assessment and Management of Environmental and Social Risks**

###### **4.1.a E&S Assessment and Management System**

FGE will engage a consultant with the support of IDB Invest, to assist with the development of the company's environmental and social management system (ESMS). FGE will develop and implement the ESMS for its operations as per the Environmental and Social Action Plan (ESAP).

###### **4.1.b Policy**

FGE will adopt an Environmental, Social, Health and Safety ("ESHS") Policy as part of the ESAP.

###### **4.1.c Identification of Risks and Impacts**

FGE has developed a basic procedure for ESHS risk identification and assessment; however, the company needs to enhance this procedure considering their operational processes, activities, and the facility expansion to cover all potential Environmental and Social (E&S) issues. As part of the ESMS, this procedure will be updated.

###### **4.1.c.i Gender risks**

Currently, female labor represents 44% of the 108 FGE' direct employees, and 50% of the company's management team area women.

Guyana has ratified the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) and the Inter-American Convention on the Prevention, Punishment and Eradication of Violence against Women<sup>1</sup>. According to the Global Gap Index of 2022<sup>2</sup>, the country ranks 6<sup>th</sup> in the Latin American and Caribbean region.

---

<sup>1</sup> UN Women webpage, GBV Guyana: <https://caribbean.unwomen.org/en/caribbean-gender-portal/caribbean-gbv-law-portal/gbv-country-resources/guyana>

<sup>2</sup> Global Gender Gap Report 2022: [https://www3.weforum.org/docs/WEF\\_GGGR\\_2022.pdf](https://www3.weforum.org/docs/WEF_GGGR_2022.pdf)

The Company has committed to preventing sexual harassment and gender violence through its Human Resources (“HR”) Policy and its internal Code of Conduct, which also include the principles of gender non-discrimination and equal opportunities.

#### 4.1.c.ii Climate change exposure

The project location has high exposure to: (i) acute precipitation-related hazards such as flooding and droughts, and (ii) chronic hazards such as changes of  $\pm 50\%$  in the water supply. Moreover, there is moderate to high exposure to temperature-related hazards such as heat waves, indicating that the location is exposed to an increase in the number of days above extreme temperatures expected under both optimistic and pessimistic climate scenarios. Given this exposure to natural hazards and the sensitivity of the sector, the projects physical climate risk classification is High.

Regarding the exposure to transition risk of the project, it is classified as low. This is primarily due to a) the tenor of the loan and b) the potential inclusion of solar energy generation for self-consumption.

FGE’ exposure to the afore mentioned risks will be addressed through measures included in the Emergency Preparedness and Response Plan (“EPRP”) and by setting up a GHG inventory, both will be incorporated to the ESMS.

#### 4.1.d Management Programs

The company has developed some initial drafts of ESHS management plans and procedures, however, all relevant management programs for the project will be duly developed and updated with the support of a consultant. Even though the type of activities that are normally undertaken by FGE are likely to generate medium-low to low associated impacts and risks, the ESMS will include management programs that address the identified environmental and social risks and impacts of the project. These management programs will be broadly applied across FGE’s organization, including contractors, stakeholders and primary suppliers as described in the ESAP.

#### 4.1.e Organizational Capacity and Competency

FGE has designated the HR Manager as the responsible party for managing the activities related to E&S matters and to oversee the development and implementation of the ESMS. The HR Manager has training in E&S management systems and will have the support of personnel from different operational areas to carry out the tasks under the ESMS.

#### 4.1.f Emergency Preparedness and Response

FGE does not have an EPRP, however, it will be developed as part of the ESMS.

#### **4.1.g Stakeholder Engagement**

The Company will perform a stakeholder identification and mapping and will develop a Stakeholder Engagement Plan (“SEP) as part of the ESAP to address concerns from the community, disclose information about the Company’s activities, and prepare the community in case of emergencies.

#### **4.1.h External Communication and Grievance Mechanisms**

Although the Company has various channels to receive petitions, grievances, complaints, or requests from clients and the community (an e-mail address, social media platforms and a telephone line), it has not yet established an External Grievance Mechanism to properly record and manage the community grievances according to their type. As part of the ESMS, the Company will develop an External Grievance Mechanism in line with Performance Standard 1.

### **4.2 Labor and Working Conditions**

#### **4.2.a Working Conditions and Management of Worker Relationships**

FGE has 108 direct employees (60 men and 48 women). The workforce will increase to about 20 workers due to the construction project related to the expansion of the facility. The company is complying with national labor law.

The company has an Ethics Policy and an Employee Handbook which represents FGE’s HR Policy and is consistent with the general principles of freedom of association, employment terms, nondiscrimination, and equal opportunities, among others. The HR policy should be updated to incorporate a grievance mechanism in accordance with PS2 and then communicated to the staff.

#### **4.2.b Protecting the Workforce**

FGE does not hire workers under the age of 18.

#### **4.2.c Occupational Health and Safety**

As part of the ESMS, FGE will develop and adopt an Occupational Health & Safety (OHS) plan, to identify related risks, establish control measures for them, define an OHS training program for workers, and keep records of incidents and accidents.

#### **4.2.d Workers Engaged by Third Parties**

The company has one Sales Distributor in Mahaica. All other sales areas are served by direct sales employees. All security personnel are direct employees.

The expansion of the facility is currently in progress with 16 temporary employees hired by the construction contractor; all workers are Guyanese and locals. It is expected that workforce will increase to about 20 workers as the construction proceeds. Therefore, the Company will ensure that

all contractors adhere to FGE's ESHS policies by incorporating this requirement in the corresponding service contracts.

#### 4.2.e Supply Chain

FGE's supply chain is comprised of 23 suppliers, 18 of which are national and 5 which are international. FGE has a 24% dependence on its largest production supplier which is locally based. The company has purchasing procedures for raw materials; however, it does not verify its primary supply chain on child or forced labor issues. As part of the ESMS, the company will develop procedures to identify and monitor child and forced labor risks in the supply chain.

### 4.3 Resource Efficiency and Pollution Prevention

#### 4.3.a Resource Efficiency

The company tracks the consumption of resources and material inputs. FGE uses the municipal water system and electricity from the electrical grid to supply its facility.

FGE does not measure GHG emissions. Current emissions are linked to burning fuel used for the ovens and the delivery fleet (6 trucks). All vehicles have a Certificate of Fitness which is a valid technical-mechanical inspection document, indicating that each vehicle's gas emissions is within allowed range.

#### 4.3.b Pollution Prevention

##### 4.3.b.i Wastes

FGE manages solid waste by storing it on site, and then disposes of it twice a week in the authorized Municipal Landfill through an authorized waste transportation provider. Liquid effluent is drained into a septic tank system that receives periodic maintenance.

FGE has drafted a basic waste management procedure that will be enhanced as part of the ESMS development by establishing roles and responsibilities, compliance verification means, internal collection points, and segregation protocols, among other issues.

##### 4.3.b.ii Hazardous Materials Management

FGE holds refrigeration equipment that uses R134A refrigerant. Acquisition of new equipment for refrigeration must take into consideration the exclusion of refrigerants considered ozone depleting substances or those with high Global Warming Potential (GWP).

##### 4.3.b.iii Pesticide Use and Management

Pest management is performed by a licensed third party. As part of the service provided, 1a/1b pesticides should not be used in FGE's activities. If this is not possible, FGE will provide evidence to

report that it has modified any service contracts to require that third parties and suppliers provide training to employees to use adequate PPE based upon Material Safety Data Sheets (MSDS) and/or International Chemical Safety Cards (ICSC) for the pesticides used.

#### **4.4 Community Health, Safety and Security**

##### **4.4.a Community Health and Safety**

To date, FGE has not experienced major accidents since inception. The main risk of the company's activity on neighboring communities is related to incoming and outgoing delivery traffic. FGE does not have procedures for transportation/traffic safety. Currently, the production plant is in an industrial area, hence the risk is low. As part of the ESMS, the company will develop and implement a safety program for drivers and traffic.

##### **4.4.b Security Personnel**

Internal staff provide unarmed security services. Security employees are required to provide a 'Police Clearance' which usually states if the employee was ever charged or indicted for a criminal offense.

Background checks are also carried out with former employers via reference checklist. The company does not have provisions or guidelines on the interaction with employees, clients, and neighboring communities, including the appropriate use of force and arms. The company confirmed that there have not been any unlawful and/or abusive acts by security personnel towards employees or nearby communities in the past. FGE will include operating procedures in its ESMS to manage the security forces in accordance with the requirements of PS4.

#### **4.5 Land Acquisition and Involuntary Resettlement**

The project is being developed on previously acquired land. The activities envisaged in this project do not involve any kind of involuntary physical or economic displacement.

#### **4.6 Biodiversity Conservation and Natural Habitats**

The project is located within a highly intervened industrial area. Consequently, the planned activities will not generate any kind of risk to biodiversity conservation or living natural resources management.

#### **4.7 Indigenous Peoples**

The project is located within an industrial area at Land of Canaan, East Bank Demerara in Guyana and will not affect indigenous communities or populations.

#### **4.8 Cultural Heritage**

The Project is not located in an area with an existing or potential presence of cultural heritage.

#### **5. Local Access of Project Documentation**

The documentation relating to the project can be accessed at the following link:

<https://www.fernandes.sr/#our-companies>